

HEBER CREEPER

P.O. BOX 69, HEBER CITY, UTAH 84032

PHONE: (801) 654-2621

February 14, 1977

NOTICE OF BOARD OF DIRECTORS MEETING

HEBER CREEPER, INC.

There will be a meeting of the Board of Directors of Heber Creeper, Inc. at 5:00 p.m., February 17, 1977, at the offices of Ashton Oil and Transportation, 40 East 100 North, Heber City, Utah.

AGENDA:

1. Loan
2. Advertising and Promotion
3. Foundation
4. Other.

- *Note 1: Authorized by Jim Berry, over budget, possible dispute settlement.
- *Note 2: Major portion is a recent purchase of coffee by Hub Cafe.
- *Note 3: Restaurant Store account is subject to some returns due to excess equipment delivered but not needed. Estimate that we will be able to reduce by from \$1,000.00 to \$2,000.00 depending on return penalty.
- *Note 4: State Sales Tax due is delinquent and by law can attach a penalty. There is some indication that the penalty might be waived, but the amount will have to have some increase due to interest.



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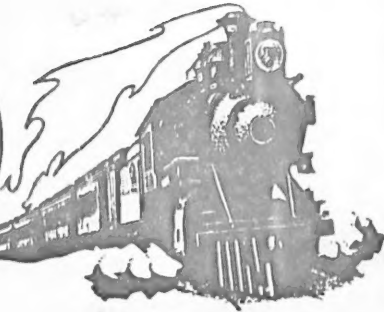
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Management response to Jim Berry's presentation in justification of cost overrun of Advertising-Promotion Budget:

1. Salaries: \$6,524.28 portion of cost overrun. As we understood Jim's explanation justifying this amount, we interpret it as being measured against the new business generated by the sales efforts. We therefore attempted at first to examine if in fact we did generate excess business that would allow an adjustment in the sales, advertising and promotion budget by applying commissionable sales percentages to increase the budget. However we feel this is incorrect, because wages were a portion of the original budget presentation, and should be considered just as any other dollar in the budget. I therefore, can see no rational in Jim's approach that would allow any justification for budget cost overruns due to wages paid. An examination of the sales productivity did indicate an increase in discount business of approximately \$4,400.00 over last year, a 14.6% increase. However, a sampling of the effectiveness of our regular yearly promotions efforts indicated they had enjoyed an increase of over 50%. There is no question in the mind of management that Jim was authorized to hire sales personnel. In fact, this concept was addressed in the presentation to the Board. We agree that he did discuss a beginning salary of around \$500.00 per month and then came back and indicated no competent personnel were available at this level and we would have to increase it. We concurred with his analysis, but said the budget would have to be adjusted in other areas to compensate for the increased wages and Jim mentioned he had adequate room in his contingency fund to cover it for the operating season anyway which would be only around \$2,000.00, (\$500.00 more for four months), and we could justify an approach to a potential employee by saying yearly employment would be available only if we were able to generate adequate money for a winter operation. I cannot agree with any justification to budget overrun from wage standpoint at all.

2. Money spent by Lowe and Anne: \$809.90, The explanation is as follows:

A. Park City Chamber of Commerce Dues, authorized by Lowe in January: \$ 50.00

B. City Guide, a combination promotion by Stardust Cafe with Jim Ritchie and Heber Creeper by Lowe, determined to be a good effort in early spring prior to Jim Berry's presentation. He would not be aware of this. 280.00

B. Big Sky Fun Map, \$210.00: We have the invoice, showing attention: Jim Berry. We agree that there are cases in which these promoters take a chance and run an ad that is not authorized and this could be part of that game. However, the invoice is proper in showing Jim Berry. This check has not been mailed.

C. KRGQ, \$50.00. Jim is absolutely correct, this was a mis-coding, and should have been charged to Hub Cafe rather than Heber Creeper. Our mistake.

4. Money spent by Mrs. Porter, \$1,381.28: This money all went to Lorraine Press and covered the following invoices:

A. Sales Letters \$38.10. This letter was written by Anne, and went to churches etc. a source of potential business thought of by Jim and discussed in advance with the board and Lowe. Jim would have to be aware of the letter.

B. 10,000 Group-Charter Checklists, \$96.80. This item was developed by Jim and rough-designed by Jim, although the final draft of it could have been Anne's. Jim would have to know of it also.

C. 25,000 timetables, \$802.60. This particular item is a reprint every year, updated and adjusted by the sales manager. Almost always the local Wave office does this. However, this past year, Jim and Anne took the responsibility over and decided not to make a special trip up to Heber and Lorraine was doing other printing anyway.

D. 25,000 Family Discount papers, \$396.90. This was strictly Jim's concept. In fact, the distribution was done by a Bron Marketing Enterprises, Inc. who charged us \$350.00 on a separate invoice that Jim OK'd. An examination of this charge after Jim questioned acknowledging the Lorraine Press account indicated to Cindy that in fact we had double paid this bill, by check #3190 directly to Bron Marketing Enterprises, August 4, paying a past due bill, then we found another check to Jim Berry Advertising for \$600.00 on May 21, a portion of which was to go to pay the same invoice (see copies on display).

5. Expenditures not acknowledged and no checks written:

A. Mountain West Magazine, \$600.00. Jim claims no responsibility. In communicating this information to the editor, he was extremely upset, and said they could document the fact that he in fact did give them the copy to use. I suggested they either sue us or Jim or both, because unless Jim comes to agree with us as to responsibility, we could not see how we could ever authorize payment.

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B. Anne Porter's Expenses, \$1,000.00, approximately. I feel that Jim should agree the amount actually due, and assume the responsibility for payment personally as part of the total settlement.

6. Jim's comments on personal trips made on behalf of the Train, and business developed from Wheeler Machinery Company. I agree fully with the Wheeler business. This did come directly as a result of Jim personally, and was sizeable. However, I could not concure with the business trips as there were personal justifications for making them, the agreement to participate in the payment of expenses based on results were personal awards.

In summary, I still feel the cost overrun of this magnitude is unforgivable. Jim is honest basically, and wants us to succeed, but his lack of control has contributed to putting the company in a serious financial hole. I acknowledge personal responsibility for allowing him too loose a rein on his budget, a mistake I will not make again. A budget is never a hard and fast, exact dollar, it is a goal, and the award goes to he who does the most with the least. However, to allow an error of this magnitude to go unnoticed, is to require stockholders to assume the burdon of the carelessness. If, as he has said many times, Jim truly wants to help us succeed, then it should be as a personal a sacrafice to him as it has been to all of us. I would therefore recommend that in some manner, we request compensation for at least a major portion of the cost overrun.

C. Heber Valley Gazette to the Wasatch Wave, \$200.00. This concept was developed by Monte Bona, Wave, and Lowe, after conference with Jim who endorsed it. However, I would have done it anyway, so he is justified in saying he didn't initiate this.	\$200.00
D. Wasatch Wave, Anne Porter for resident passes and an ad promoting resident passes. This was an annual expenditure, in which Jim Berry developed with us years ago, and we know he concurred with its perpetuation and so instructed Anne.	48.05
E. Wave Publishing, Anne Porter, resident pass ad again same as above.	80.00
F. Wave Publishing, Anne Porter, \$16.03, business cards and ad, her title etc. were created by Jim	16.03
G. Royal Inn, Rodeway, Stardust, Howard Johnson: A discount program giving the motel some compensation for customers who stayed with them that they were able to convince to come and ride the train. This could have been 100% Anne, although we feel she did get Jim's OK, because it was fairly well established that she had no authority to initiate and direct expenses, nor would Management unless Jim concurred. Many times in the first stages of Anne's employment she would come to the office with some recommendation for expenditure, and in all cases, we said Jim is responsible for the budget, he must give the OK.	27.54
H. Wave Publishing, Business cards, these were for Jim and Anne, I OK'd it, but the request came from Anne again. Jim might not have been aware of this.	17.28
I. Circle R, \$50.00. A map of Wasatch County, just being prepared, will be distributed next year, Lowe authorized, Jim definitely would not know anything about this.	50.00
TOTAL	\$768.90

Jim claims \$809.90, we cannot come up with this total. However of the \$768.90, we know he participated in the decision of a minimum of over \$350.00. He would be correct, however, in claiming no knowledge of the balance.

3. Items he was not aware of, \$325.00:

A. Barclay and Crockett, \$65.00, we are displaying the Ad. We feel confident that this is Jim's, because it resembles the type of ad he might use in this type of situation.